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CITY OF MEDICINE

CITY OF DURHAM | NORTH CAROLINA

DATE: September 16, 2014

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: Bertha T. Johnson, Director of Budget & Management Services
Jim Reingruber, Principal Budget Analyst

RE: Request to carryover funds from FY 2013-14 to FY 2014-15, amend the FY2014-15 Budget and other grant and capital project ordinance amendments, and internal service funds spending plan.

EXECUTIVE SUMMARY

The Budget and Management Services department is recommending adjustments to several budget, grant, and internal service spending plan ordinances and resolutions. A summary of all actions for impacted operating funds is shown in the table below:

General Fund	\$ 5,499,980.37
Emergency Telephone System Fund	\$ 292,569.28
Dedicated Housing Fund	\$ 321,583.01
Water and Sewer Fund	\$ 2,675,839.25
Transit Fund	\$ 1,054,256.70
Solid Waste Disposal Fund	\$ 546,155.39
Storm Water Fund	\$ 430,093.16
Ballpark Fund	\$ 340.25
Parking Facilities Fund	\$ 129,381.53
Durham Performing Arts Center Fund	\$ 5,600.00
TOTAL APPROPRIATIONS	\$ 10,955,798.94

RECOMMENDATIONS

The Administration recommends the City Council adopt a budget ordinance amending the City of Durham Budget Ordinance, Fiscal Year 2014-15, the same being Ordinance #14650 to appropriate fund balance for the carryover request, and recognize encumbrances brought forward.

The Administration recommends the City Council adopt an ordinance amending the General Capital Improvement Project Ordinance, Fiscal Year 2014-15, as amended, the same being Ordinance #14623 for the purpose of reallocating funding sources for various projects.

The Administration recommends the City Council adopt an ordinance amending the Stormwater Capital Improvement Project Ordinance, Fiscal Year 2014-15, as amended the same being Ordinance #14625 for the purpose of reallocating funds between projects.

The Administration recommends the City Council adopt the FY 2015 Carolina Panthers Charities Grant Project Ordinance for the purpose of continuing the Challenger Flag Football League in Durham.

The Administration recommends the City Council adopt the FY 2013-14 State Apprentice Program Grant Project Ordinance superseding GPO # 14620 for the purpose of recognizing additional funds for the project.

The Administration recommends the City Council adopt the FY 2013 and FY 2014 FTA Section 5310 Grant Project Ordinance for the purpose of enhancing mobility for seniors and individuals with disabilities.

The Administration recommends the City Council adopt the FY 2013 FTA Section 5316 JARC Grant Project Ordinance superseding GPO # 14616 for the purpose of recognizing additional funds for the project.

The Administration recommends the City Council adopt the FY 2014 FTA Section 5316 JARC Grant Project Ordinance for the purpose of conducting a transportation planning project.

The Administration recommends the City Council adopt the FY 2013-14 NCDOT Transit planning and capital Grant Project Ordinance superseding GPO # 14619 for the purpose of recognizing additional funds for the project.

The Administration recommends the City Council adopt the FY 2014-15 State Technology Grant Project Ordinance for the purpose of enhancing Durham's mass transit system.

Finally, the Administration recommends the City Council adopt a Resolution superseding Resolution #9897 to amend the Risk and Employee Insurance Internal Service Funds Fiscal Year 2014-15 Financial Plans for the purpose of recognizing encumbrance carry forwards.

BACKGROUND

A carryover is an expenditure that was approved in the prior fiscal year's budget, but was not spent or encumbered in that fiscal year. Unspent budgeted funds in a prior year revert to fund balance. At the end of each fiscal year, when funding is available, Budget and

Management Services solicits requests from departments to carryover unspent funds budgeted in the prior fiscal year to the subsequent year. Generally, carryovers are only recommended for approval if they meet the following criteria:

- The funds were appropriated in the prior year's approved budget for the same purpose.
- The funds from the prior year were not spent.
- The purpose is one-time in nature and there are not funds budgeted in the current year for the purpose.
- The City has a desired fund balance level.

This year's request also includes recommendations to carryover funds that were not appropriated for the same purpose in the prior fiscal year. The total amount of requests submitted for all funds was \$2,278,042. Of this, BMS is recommending \$1,761,015. The total amount of general fund carryover requests submitted was \$1,120,255. Of this, \$828,208 is being recommended. These items include:

- Funding to complete the employee opinion survey, and ICMA benchmarking costs (BMS).
- Funding for the Youth Opportunity Initiative contract (CMO).
- Funding for purchasing items (OEWD).
- Funding for potential buy-out of Print Shop Equipment (Finance).
- Funding for defibrillator replacements and technical rescue supplies (Fire).
- Funding for training, minor renovations, and technology upgrades (General Services).
- Funding for software, training, and technology (HR).
- Funding for a mower, and for the Neighborhood Compass initiative (NIS).
- Funding for equipment upgrades, furniture and athletic equipment (DPR).
- Funds to cover first year costs of an impound lot, and funding for the purchase of body cameras (Police).

Additional items for other funds include:

- CIP funding transferred from the Water and Sewer Fund to the Capital Improvement Program to fund the VoIP project (DWM).
- Transfers related to Transit grant funds (Transportation / Transit fund).

For fiscal year ending June 30, 2014 the fund balance was projected at 16.64%. The actual fund balance will be determined by Finance once the Comprehensive Annual Financial Report (CAFR) is completed in October. The City's current policy is to maintain an unassigned fund balance as a percentage of adjusted appropriations of no less than 12% of General Fund adjusted appropriations. If the carryover is approved the fund balance for the general fund will be at 16.12%.

City Council must approve any ordinance amendments. Therefore, Budget and Management Services typically brings two to four budget amendments forward each year. This is the first item for FY 2014-15. In addition, Budget and Management Services attempts to combine amendments and grants in a single agenda item for efficiency.

ISSUES/ANALYSIS

At the end of each fiscal year, when funding is available, Budget and Management Services solicits requests from departments to carryover unspent funds budgeted in the prior fiscal year. After the annual financial audit is finalized and the General Fund fund balance percentage is confirmed at an acceptable level, the department of Budget and Management Services analyzes the departmental requests and makes a recommendation to the City Manager. The City Manager reviews and approves the final recommendation to be made to the City Council.

The budget ordinance allows for any encumbered funds at the end of the previous fiscal year to be automatically re-appropriated in the subsequent year. This amendment recognizes those dollar amounts in the revised ordinance. These encumbered amounts included: \$4,671,772.37 in the General Fund; \$292,569.28 in the Emergency Telephone System Fund; \$321,583.01 in the Dedicated Housing Fund; \$2,016,655.25 in the Water and Sewer Fund; \$780,633.70 in the Transit Fund; \$546,155.39 in the Solid Waste Fund; \$430,093.16 in the Stormwater Fund; \$340.25 in the Ballpark Fund; \$129,381.53 in the Parking Fund; and \$5,600.00 in the DPAC Fund. Total operating budget encumbrances equal \$9,194,783.94.

Two Capital Improvement Program (CIP) amendments are included in this agenda item. The first is an amendment to the General CIP ordinance, the same being ordinance #14623 as adopted June 16, 2014 to make necessary corrections in funding sources of various projects in the housing and neighborhood revitalization section and addresses various transportation projects. The second CIP ordinance amendment reallocates FY 15 funding for drainage repair projects in the Stormwater CIP ordinance, the same being ordinance #14625 as adopted June 16, 2014. Both amendments have a zero net effect to original CIP fund allocations.

There are several Grant Project Ordinances (GPOs) and amendments to GPOs. Durham Parks and Recreation has again received the Carolina Panthers Charities Grant for \$2,995, which will allow the Challenger Flag Football League to continue in Durham. The Department of Transportation submitted the other GPOs with this agenda item. They include the FY 2013-14 State Apprentice Program Grant Project Ordinance superseding GPO # 14620 for the purpose of recognizing additional funds for the project; the FY 2013 and FY 2014 FTA Section 5310 Grant for the purpose of enhancing mobility for seniors and individuals with disabilities; the FY 2013 FTA Section 5316 JARC Grant Project Ordinance superseding GPO # 14616 for the purpose of recognizing additional funds for the project; the FY 2014 FTA Section 5316 JARC Grant for the purpose of conducting a transportation planning project; the FY 2013-14 NCDOT Transit planning and capital Grant Project Ordinance superseding GPO # 14619 for the purpose of

recognizing additional funds for the project; and the FY 2014-15 State Technology Grant for the purpose of enhancing Durham's mass transit system.

Finally, an amendment to the Internal Service Spending Plans is required to recognize Risk encumbrances carried forward of \$66,400.40 and Employee Health Fund encumbrances of 25,398.40 carried forward.

ALTERNATIVES

As noted above, these amounts were scheduled to be expended in the Council adopted budget for FY 2013-14. In most cases, the funds were not expended due to delays in purchasing, delivery or implementation. All of the items remain priorities. Departments will not be able to absorb these expenditures in their FY 2014-15 departmental budgets without impacting current year service plans.

If the City Council does not approve this budget amendment, departments would have to defer the purchase of equipment that has not already been ordered and allow existing equipment to continue to deteriorate. Other expenses have either already been incurred or are not optional. Without this budget amendment, departments would have to reduce their current year service plans to accommodate those costs.

FINANCIAL IMPACT

The carryovers are consistent with the City Council's intent in the adopted budget to hold the general fund balance at or above 12%. The Local Government Commission recommends that cities maintain a fund balance above 8%. The appropriation of fund balance for carryovers is for one-time costs that will not impact future budgets.

The approval of the encumbrance carry forward amounts will not impact the undesignated General Fund fund balance as these funds were already designated.

The various grant and CIP amendments have no general fund impact.

SDBE INFORMATION

Not applicable.

ATTACHMENTS:

- Budget Ordinance amending the City of Durham Budget Ordinance as amended, Fiscal Year 2014-15, the same being Ordinance #14650.
- Capital Improvement Ordinance amending the General Capital Improvement Project Ordinance, Fiscal Year 2014-15, the same being Ordinance #14623.

- Capital Improvement Ordinance amending the Stormwater Capital Improvement Project Ordinance, Fiscal Year 2014-15, the same being Ordinance #14625.
- FY 2015 Carolina Panthers Charities Grant Project Ordinance
- FY 2013-14 State Apprentice Program Grant Project Ordinance superseding GPO # 14620
- FY 2013 and FY 2014 FTA Section 5310 Grant Project Ordinance
- FY 2013 FTA Section 5316 JARC Grant Project Ordinance superseding GPO # 14616
- FY 2014 FTA Section 5316 JARC Grant Project Ordinance
- FY 2013-14 NCDOT Transit planning and capital Grant Project Ordinance superseding GPO # 14619
- FY 2014-15 State Technology Grant Project Ordinance
- Resolution superseding Resolution #9897 to amend the Risk and Employee Insurance Internal Service Funds Fiscal Year 2014-15 Financial Plans.